

MEMORANDUM

DATE: August 3, 2006
TO: Auditors of Idaho Public School Districts
FROM: Julie Oberle, Specialist
Public School Finance
SUBJECT: Local School Audits, 2005-2006

The State Department of Education (SDE) has been requested by various auditors, program personnel, and the public to assist in providing direction to auditors. This memo outlines a few of the major areas that each auditor should be reviewing and testing in their audits.

The Annual Report memos, reports, forms and a draft version of the IFARMS manual are available on our website at www.sde.idaho.gov/finance. Once at our website, select Forms, then 2005-2006 Annual Report Forms. You will also find a list of "Reminders" that may be helpful.

Attached to this memo is a listing of the various state payments that have been made as of June 30, 2006 to the various school districts for the 2005-2006 school year.

New for FY2007

The School Facilities Improvement bill (House Bill 743), passed during the 2006 Legislature session and effective July 1, 2006, affects Idaho's school districts and charter schools. Based on the new law, most districts and charter schools will need to revise their accounting systems to include newly created funds and revenue and function codes. A copy of House Bill 743, a FAQ document, and a memo discussing the changes to IFARMS codes can all be found on our website (shown above) under Recent Communications.

State Foundation Program

Many districts receive over 60-70% of their General M&O revenues through the State Foundation Program. The amount received is based on information supplied by the district to the SDE during the year. In many cases, auditors are only confirming the amount received from the SDE and are not verifying the accuracy of the original data submitted by the district. The SDE recommends that auditors review how districts submit attendance data, test the attendance data, and confirm schools are reporting in compliance with SDE guidelines and State Board Rules and Regulations.

Auditors should also be testing the Idaho Basic Educational Data System (IBEDS) information submitted annually by the districts to the SDE. This data is used in the calculation of Salary Based Apportionment. Testing should include the district's placement of certified staff on the education and experience multiplier table and that teaching assignments have been reported correctly. The data should reflect a "snapshot in time," which is the last Friday of September. **The district Business Manager will be able to give you access to the IBEDS information available on a secure School Finance website. If you have any questions, please contact Myrna Holgate at 332-6845.**

Each school district is required to submit an annual report, using the Idaho Financial Accounting Reporting Management System (IFARMS) as a guideline, within 90 days of fiscal year-end. Data in this annual report should agree to that shown in the audited financial report.

Various payments to the school districts are done using computations including fixed asset dollar amounts. The fixed asset information included in the notes to the financial statements must be separated into elementary, secondary, and administrative fixed asset dollars for these computations to be accurate. It would also be helpful to have this information further separated by asset type, including buildings, equipment, transportation, etc.

Districts also receive state grant monies that should be tested to ensure the dollars are expended in accordance with the district's approved applications. These grants include, but are not limited to, technology, safe and drug free, and reading grants. State grant monies should be reported separately from federal grant monies. The local district should have the reporting guidance manuals available for your review.

Pupil Transportation

Auditors should review the district's internal control procedures to confirm that reimbursable costs as well as miles have been reported properly on the Pupil Transportation Reimbursement Claim. SDE also recommends that auditors review bus purchasing procedures, the proper handling of any depreciation allowance and fuel excise tax refunds, and confirm schools are reporting in compliance with SDE guidelines and State Board Rules and Regulations.

U.S.D.A. School Lunch

It is important for auditors to review the district's internal control procedures for the handling of cash receipts and commodities at the building level. Sufficient tests should be included in your review to detect errors and prevent irregularities and assure that the state revenue matching requirements under the National School Lunch Act have been met.

Federal Grant Monies - Cash Management Compliance

School districts receive cash advances from several federal programs, including those encompassed by the Single Audit Act: Title I, Title II-A (Improving Teacher Quality), Title IV (Drug-free Schools), Title VI (Innovative Programs), Title VI-B (Special Education), and Title I-C (Migrant Education). Auditors should examine federal cash balances and advanced funds to assure they do not exceed the district's immediate cash needs. The SDE recommends that auditors review the submitted cash balance reports to assure the district is in compliance with federal and SDE guidelines and regulations.

General Federal Guidelines

Auditors should review federal grants for compliance to Circular A-87 (outlines cost principles associated with federal grants) and to the Common Rule (details the reporting requirements). Audits should be conducted in accordance with the Yellow Book and the Single Audit Act, if appropriate.

Budgeting

Our website also includes a list of Idaho Code references pertaining to the budgeting for Idaho school districts. School districts must also follow State Board Rules and Regulations as well as reporting guidelines established by the SDE.

If you need further information, please call me at 332-6842.

cc: School Business Officials (E-mail copy of memo only)

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